Final Report on the Saskatchewan Public Consultations on Trade Negotiations

87-01712/

January 16, 1987

Honourable Bob Andrew
Minister of Economic
Development and Trade
Room 355
Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Mr. Andrew:

It is our honour to submit to you the report of the panel of Trade Commissioners which was appointed by the Government of Saskatchewan on June 18, 1986 to conduct public consultations on the Canada/U.S. bilateral trade negotiations.

The Commissioners were pleased with the response to the invitation to submit briefs and to appear at public hearings held by the panel. We wish to acknowledge the time and effort given by those individuals and organizations that prepared briefs and participated in the hearings during the summer holiday period.

We believe our report represents a broad cross-section of views which we received from business and labour representatives of Saskatchewan's agriculture, resource, manufacturing and service sectors as well as from individuals and organizations that have interest in and are affected by the trade negotiations.

Yours sincerely,

Art Wakabayashi
Chairman, Public
Consultations, Trade
Commissioners Panel

Isabel Anderson
Member

Cy MacDonald
Member

February 2, 1987

Honourable Grant Devine
Premier of Saskatchewan
Room 43
Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Mr. Premier:

It is my pleasure to enclose the final report of the "Public Consultations on Trade Negotiations" initiated by our government during the past summer.

Our objective was to listen to the views of those individuals, organizations, trade unions and industries who are affected by trading arrangements with the United States in order to assist the government in establishing a Saskatchewan position. This objective was clearly achieved.

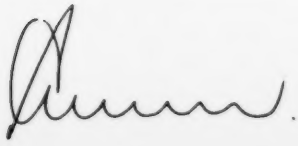
The briefs presented indicate that our province has problems that are not necessarily the same as other regions of the country. The Saskatchewan economy is centered around the agricultural and resource sectors, and thus our interests differ from those of Central Canada.

It is also apparent from the Consultations that many of our basic industries are under attack and have much to lose unless a satisfactory settlement can be reached with the United States. I refer to agriculture, potash, uranium, steel and lumber, which are now threatened by United States protectionism.

The views expressed in the Public Consultations program have been and will continue to be a valuable component of our position in the ongoing negotiations.

In my view, the Public Consultations program was a success. It is my hope that this report will be of assistance to you in pursuing Saskatchewan's objectives and interests in the trade negotiations.

Yours sincerely,



Minister of Economic
Development and Trade

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Saskatchewan as a Trading Economy

Saskatchewan's economic growth has always come from international trade. Our standard of living is a result of our products having had relatively free access to world markets.

From the beginning, settlers in the province produced grain for export. Later, export markets allowed development of our other natural resources: minerals, petroleum and forests. Saskatchewan's economic diversification after World War II resulted in a manufacturing and processing sector based upon those natural resource industries, and similarly relying on export sales. Today, continued diversification still depends on two key principles - building on our natural strengths in resources and developing new export markets.

In 1985, approximately 30 per cent of the province's Gross Domestic Product (GDP) was earned directly through exports. This occurred in a year when the prices of our exports were abnormally low. Under more normal circumstances, exports' share of provincial GDP is closer to 35 per cent.

Saskatchewan exports to the world. While 80 per cent of Canada's exports in 1985 were destined for the United States, only 46 per cent of Saskatchewan's exports went to the U.S. market in that year. Therefore, Saskatchewan relies more heavily on a wide range of export markets than the rest of Canada.

The main Saskatchewan commodities sold to the U.S. are crude oil, potash, uranium, livestock and wood products. The remaining 54 per cent of Saskatchewan exports, totalling $2.9 billion in 1985, were sold in a large number of off-shore markets, primarily Russia, Japan, China and Brazil. The major Saskatchewan products destined for these markets are grains, oilseeds, uranium and potash.

The Changing Reality of International Markets

Saskatchewan's prosperity comes from international trade. The last five years have brought rapid and fundamental changes in the world economy. These changes are likely to continue at their current pace and will result in a new structure for the international economy in which Saskatchewan will have to work harder to compete and to develop new markets. Three major factors are at work in changing the international marketplace: changing markets, low commodity prices and growing protectionism.

Changing Markets

Newly-developed countries, once considered mere suppliers of raw materials, are now coming into their own, replacing imports with domestically produced goods and competing in the export of value-added manufactured goods. Countries, such as Korea and Taiwan, now are highly competitive and able to export manufactured goods with the aid of a large and relatively inexpensive labour force. Their impact is most noticeable in textiles, clothing and footwear, but they have also emerged as fierce competitors in steel, shipbuilding, automobile parts and household electronics.

Many other countries have surpassed Canada to become international leaders in industrial technology. The sheer determination and competitiveness of the Japanese, for example, has taken its toll on North American producers who find it difficult to adjust rapidly enough. Canada must now secure new export opportunities to offset the impact of the increased penetration by our newest competitors in both domestic and traditional export markets.

International markets have changed, too, as many countries strive to become self-sufficient, particularly in agriculture. Self-sufficiency policies are particularly damaging to Saskatchewan, because we are internationally competitive producers and export the vast majority of our agricultural output.

For example, China and India, two of Canada's traditional grain buyers, have established self-sufficiency goals in foods. With these policies, plus advances in management practices and technology, India has already achieved self-sufficiency in grains and China is making significant progress towards the same goal. The USSR remains a major purchaser of Saskatchewan wheat, but agricultural reforms in the USSR and improvements in technology and management indicate that exports to the USSR will not likely continue at current levels beyond the short to medium term.

Originally, European Community subsidies, aimed at achieving self-sufficiency, have been so successful that they have resulted in global surpluses, have seriously distorted food production patterns and now threaten the economic viability of naturally competitive producers such as Saskatchewan.

Low Commodity Prices

Saskatchewan export prices for wheat, potash, oil and uranium have declined sharply since 1980. Our producers have to sell more to offset the drop

in price, or suffer a drop in income and a lower standard of living. Selling more has not been easy in the current highly competitive trade environment.

The initial impact of low commodity prices falls on farmers and those directly employed in the affected industries. There is also a loss of jobs in related industries, a reduction in purchasing power in the province and eventually a fall in the overall standard of living. Moreover, low export prices affect the provincial treasury which depends heavily on revenue from these important sectors to finance social, employment and economic development programs.

Growing Protectionism

Perhaps the most devastating impact on the international market today is the growing protectionism in the United States, the European Community and Japan, all important Canadian markets.

While protectionism has always existed wherever there is trade, it has recently become stronger, especially in the United States, due to changes brought on by low commodity prices and the emergence of the newly-industrialized countries. The large U.S. budgetary deficit has kept U.S. interest rates higher than they would otherwise be. This has drawn a large flow of capital into the U.S., raising the value of the U.S. dollar relative to the currencies of its trading partners. This has made it difficult for U.S. firms to compete against imports. In 1985 the U.S. had a current trade deficit of $150 billion. The U.S. merchandise trade deficit with Canada was about $20 billion in 1985. In these circumstances, it is a challenge for the U.S. government to resist appeals for relief in the form of protection from competitively-priced imports. American legislators have proposed scores of protectionist bills. The passage of such legislation would have serious, adverse effects on many Saskatchewan industries including oil, uranium, potash and lumber.

Existing U.S. trade legislation has already had a serious impact on the Saskatchewan economy. The U.S. Farm Bill is hurting Saskatchewan grain farmers by lowering the American price support level for wheat and introducing an export bonus program to recapture and increase the United States' share of world markets. Trade remedy laws are being used indiscriminately by U.S. producers to limit or threaten imports of Saskatchewan steel, softwood lumber, potash, uranium and hogs.

Canada's Participation in Trade Negotiations

Faced with the changing realities of international trade, Canada is embarking on a two-tracked initiative of trade negotiations: multilateral negotiations under the General Agreement on Tariffs and Trade (GATT) and bilateral negotiations with the Americans.

The eighth round of GATT negotiations was launched at Punta del Este, Uruguay, in September 1986. This continues the process of world trade liberalization which began with the formation of the GATT in Havana in 1947 and continued with, among others, the Kennedy Round (1964-67) and the Tokyo Round (1973-79). The current negotiations are scheduled to be completed by 1990.

Canada's objectives for the GATT negotiations are:

- to strengthen the GATT system by bringing trade in agricultural products under GATT rules;
- to achieve greater liberalization of trade in agriculture and natural resource-based products;
- to reduce and eliminate agricultural export subsidies and domestic policies that distort trade in agricultural goods;
- to secure and increase market access by restricting the indiscriminate use of non-tariff actions to protect domestic industries against imports; and
- to strengthen GATT's institutional role and dispute settlement mechanisms and to increase its linkages with other international economic organizations, particularly the International Monetary Fund and the World Bank.

Saskatchewan shares Canada's general objectives, particularly seeking new rules on agricultural subsidy programs to allow global production of grains and oilseeds to be based on international market prices.

At the same time, Canada is engaged in bilateral trade negotiations with the United States. These negotiations commenced in May, 1986, and are scheduled to define a new Canada-U.S. trade agreement by late 1987.

The Canada-U.S. talks are not a substitute for the GATT negotiations. Rather, they reflect the fact that the lion's share of Canada's trade is with the U.S. and that many bilateral issues can best be solved bilaterally. Secondly, the immediacy of several trade issues requires solutions more promptly than is possible within the framework of

the GATT negotiations. Finally, more progress in negotiations is possible between two parties than would be the case in the GATT framework which comprises ninety-two contracting parties. Indeed, it may be possible to use progress achieved in the Canada-U.S. agreement as a model for global trade liberalization through the GATT.

The two sets of negotiations are complementary parts of an overall strategy to liberalize Canada's trade with all its trading partners on a reciprocal and lasting basis. Because of this, Saskatchewan has supported Canada's participation in both the GATT and Canada-U.S. negotiations.

Objectives of the Public Consultations

On June 18, 1986, the Government of Saskatchewan announced a program of public consultations on the Canada-U.S. bilateral trade negotiations. Art Wakabayashi, Saskatchewan's Trade Negotiations Representative, was appointed one of the commissioners and chairman of the panel of three. The other commissioners were Isabel Anderson, Associate Professor of Economics at the University of Saskatchewan, and Cy MacDonald, Associate to the Deputy Minister of Economic Development and Trade.

The purpose of the consultations was to discuss trade issues with a wide range of organizations, businesses, unions and other Saskatchewan groups involved in trade or affected by the outcome of the Canada-U.S. trade negotiations. The aim was that, through this process, a provincial voice representing key sectors of the Saskatchewan economy could be taken forward to help shape Canada's strategy for the trade negotiations with the United States.

The consultations focussed on the immediate issues being raised by the Canada-U.S. trade negotiations, but also included discussions of the relative importance of multilateral trade in off-shore markets and on the next round of GATT negotiations.

The Commissioners did not have a mandate to make recommendations, but were to reflect accurately the variety of views expressed by those submitting briefs. After reviewing the briefs received and the transcripts of the public hearings, the Commissioners made specific observations and arrived at conclusions relating to several broadly-held views. These are contained in the last two sections of this report.

Extent of the Public Consultations

The Commissioners invited key provincial organizations and individuals associated with agriculture, resources, manufacturing and services, or representing those who are affected by international trade policy, to submit a brief and then to attend a public meeting to discuss their paper. Advertisements were also placed in all the daily and weekly newspapers to solicit other briefs.

This report is a review of all the briefs received whether or not they were presented publicly. Fifty-eight briefs were presented in 13 days of hearings during the month of August. Submissions came from producer, business and labour representatives of the agriculture, resources, manufacturing and service sectors. Special interest groups representing citizens, women and culture presented briefs as did representatives of urban and rural municipalities. There were also briefs from individuals in the academic community.

Sixteen additional briefs were received but not presented because of constraints related to scheduling the meetings and because some organizations did not want to present their briefs in public. The banking sector and oil and gas producers declined to submit briefs on the grounds that their positions had not yet been formulated at the time of the hearings.

A Summary of Views from Industry, Individuals and Organizations

The briefs summarized in this section are not necessarily comprehensive. The Commissioners heard from management and employee representatives in some industries, but in other industries, briefs were presented only by management or by employees but not both. In the agricultural sector, there was no clear distinction between employers (or producers) and employees.

Primary Industry

A. Agriculture

Many groups wanted agriculture included in the Canada-U.S. trade negotiations, even though they recognized that the trade war in grains between the European Community and the U.S. can only be resolved through the multilateral trade negotiations and that there is very little trade in grains between Canada and the United States. These groups argued the bilateral talks would allow the two countries to develop a common approach to the multilateral trade negotiations.

Everyone supported the idea that agriculture should be on the agenda for the multilateral trade negotiations to end the trade war in grains.

Further diversification of Saskatchewan agriculture was suggested in some briefs. The development of non-grain crops, vegetable crops for example, or the introduction of new breeds of livestock was suggested to compensate for surpluses of specific commodities that have plagued the industry.

However, some argued that agriculture should not be included in the bilateral trade talks at all. They claimed it would jeopardize Canadian institutions such as the Canadian Wheat Board, various marketing boards, supply management, income stabilization programs and the Crow transportation benefits. These briefs expressed concern for the survival of the family farm. The large, vertically-integrated corporate farm operations in the U.S., they reasoned, have lower production costs and higher efficiency, and can cause the disappearance of the family farm in Saskatchewan.

1. **Grains and Oilseeds**

   Representatives of the grains and oilseeds industries argued that it is necessary to deal with American export subsidy programs, but they presented different ideas of what specifically should be done. However, it was generally noted, once again, that there is very little trade in grains between Canada and the United States.

   One brief suggested that the only way to deal with the problems created by American subsidies was through the next round of GATT negotiations, because European subsidies of US$8 billion per year and United States subsidies of US$30 billion dwarf the US $6 billion Canadian annual total grain production.

   A suggested solution to the problem of grain subsidies was a Scheduled Adjustment to Liberalized Trade (SALT) agreement negotiated through the multilateral trade negotiations. This proposal would de-escalate subsidies for the production of grains in the countries that export grains into the international market. The bilateral trade negotiations, it was suggested, may be the forum for introducing the idea and the means by which Canada and the United States could develop the proposal and carry it forward to the multilateral talks. Some supported the idea that the U.S. Farm Bill be included in the bilateral trade negotiations so as to develop a common approach to the multilateral trade negotiations.

All of the briefs presented by the agriculture sector argued the Canadian Wheat Board should remain, as it has served our agricultural community well since it was established. Some suggested that a trade agreement with the United States could create problems with the import licensing system that is controlled by the Wheat Board, and others suggested an agreement might allow a flow of American grains through the Canadian export system if there were no controls.

There were concerns expressed that American farmers might take advantage of the Crow benefit by transporting grain to final export points in Canada. This would "contaminate" (reduce the quality of) Canadian grain in the international market. One suggestion said Canada should trade off the two-price system for grain for a de-escalation of the grain export subsidies in the United States. A direct marketing system by farmers for lower quality wheats was also suggested.

Representatives of the oilseeds industry drew attention to some problems of tariffs and market acceptance of the product in foreign markets. They wanted the 7.5 per cent American tariff on canola oil removed. Individuals in the industry are working toward the general acceptance of their products in American markets and keeping ahead of their American competitors on quality.

2. **Livestock**

   The more than 25,000 cattle and hog producers in Saskatchewan earn total cash receipts in excess of $600 million annually. The cattle and hog industries strongly support the idea of having agriculture included in the bilateral and multilateral negotiations, particularly if it means securing access to the American market. The cattle and hog industries approach the Canada-U.S. trade negotiations much more aggressively than others in the agricultural sector.

   Concern was expressed whether the American market for Canadian exports can be retained. Canada exports $426 million worth of cattle and beef products a year; Saskatchewan exports in excess of $50 million of that total. Between $20-30 million is earned from the export of hogs and pork products from Saskatchewan. Canadian hog exports account for 2.5 per cent of the total American market and Saskatchewan hogs and pork products make up five per cent of total Canadian production.

The briefs pointed out the desirability of securing U.S. markets for Saskatchewan hogs and pork products. There was awareness of the countervailing duty imposed by the United States last year on live hogs, and fear that this kind of action might be extended to processed pork products. Some Saskatchewan pork is exported to Japan, but highly subsidized Danish pork is capturing a larger share of that market.

Interprovincial barriers to domestic trade were discussed in the context of trade in cattle and the choice between markets in California or British Columbia for Saskatchewan pork and pork products. Apparently it is cheaper to ship products to California than to ship them to B.C. Saskatchewan producers have found their lean, high-quality pork products to be well received in the California market. The view was also expressed that a viable feeder cattle industry cannot be realized in Western Canada as long as it is cheaper to feed cattle in the East because of transportation rate structures.

There was some agreement in the briefs that the Canada-U.S. negotiations should identify and negotiate the end of major subsidies which distort international trade. The U.S. views provincial stabilization plans for livestock producers and livestock production incentive programs as trade distorting subsidies. Some argued that a tripartite stabilization plan may alleviate American concerns over the use of subsidies in Canada. Others feared that the Americans would view livestock producers and meat processors as a single industry when an application for a trade injury test is submitted in the United States.

There is also a general belief that health standards and border inspection procedures need to be harmonized to allow for the relatively free flow of products between the two countries. At the same time, however, it was clear that everyone understood that essential health standards would have to be maintained and not lowered.

3. **Poultry and Eggs**

Chicken and turkey producers are in a supply-managed industry and completely oppose the Canada-U.S. bilateral trade talks. The industry is small, about 80 producers in Saskatchewan earning a total of approximately $24 million in annual revenue. They consider it unlikely that they would export to the U.S. because labour and other production costs are comparatively high in Saskatchewan.

The present system of supply management provides stability and some growth, contains a mechanism for removing and disposing of surplus production and provides adequate returns to producers while it regulates supply to meet the demand. There are no government subsidies in the industry although the price to the consumer is higher here than in the United States because the costs of production are higher.

The submissions expressed the belief that a Canada-U.S. trade agreement would lead to the demise of the family farm in Saskatchewan and the introduction of a U.S. system of production composed of large, vertically integrated producing units. It was suggested that Saskatchewan and Manitoba would lose most or all of their producers. In Saskatchewan this would involve not only the 80 producers, but also the 250 employed in processing. It was suggested, though, that in the long-term an income stabilization program could be used to replace the supply management system.

The egg industry consists of about 86 quota holders and a number of small producers who operate outside the quota system. The annual value of production is approximately $20 million. It, too, is under a supply management system. The producers believe that free trade with the United States will cause irreparable damage in the industry because of devastating effects on the quota holders. They argued strongly that the family farm would be in jeopardy if the egg industry were to be subject to trade negotiations, either bilateral or multilateral. They did not believe that the industry in Canada should be allowed to become vertically integrated as in the United States.

4. **Dairy**

There are 700 producers of milk and 1,800 producers of cream in Saskatchewan. The farmgate receipts of milk and cream total $83 million. This industry is small and high-cost, protected by government regulation.

The submissions indicated that producers are willing to compete interprovincially, but that the industry is not geared to participating in the export market because current production decisions are imposed by means of federal and provincial government regulatory practices. Producers also pointed out that under the national supply management system, Saskatchewan does not receive its fair share of the production quota. For example, Prince Edward Island has 0.5 per cent of the

population of Canada and receives more than three per cent of the national quota for manufactured milk, while Saskatchewan with four per cent of the population receives only 2.58 per cent of the national quota.

B. **Forestry (including Wood Products)**

Producers generally favour the bilateral trade negotiations with the United States. There are 3,000 directly employed in this sector of the provincial economy, with another 5,000 in jobs indirectly related to forestry production. Eighty per cent of softwood lumber, waferboard and wood products produced here are exported to the United States. Pulp production, since 1981, has ranged between $107-$167 million in revenue a year; while the new paper mill in Prince Albert will generate another $125 million each year. Approximately one-third of the pulp now produced in Saskatchewan and all of the future production of paper will be exported to the United States. Some submissions pointed out that the United States is really our only export market because the transportation costs associated with selling offshore are too high.

One of the submissions expressed the hope that the bilateral trade talks would not affect the allocation of funds to the improvement of forest management practices in the province. Another argued that the bilateral talks should not be allowed to interfere with the allocation of the resource to all types of enterprises including small, independent foresters.

Producers argued that if Canada loses the U.S. as an export market, there will be an influx of forest products into Saskatchewan from B.C. and Alberta; this would adversely affect marginal producers. Some argued that the discussion of trade matters with the United States must continue, regardless of ongoing bilateral trade disputes. The forestry producers believed that the industry requires a more ordered world trading environment, continued unfettered access to the American market and the elimination of trade distorting non-tariff barriers.

Labour organizations were opposed to the idea of freer trade with the U.S. The paperworkers were unconditionally opposed, arguing that a freer trade arrangement will result in severe unemployment in Canada as imports from the United States flood the Canadian market.

Woodworkers, on the other hand, recognized the need for continued access to the U.S. for Canadian softwood products. They suggested the bilateral trade talks could be supported if the objectives underlying them were part of a comprehensive strategy for national industrial and economic development. Woodworkers suggested a sectoral approach to trade negotiations with the United States would be a better way to solve the immediate problems associated with trade irritants. They noted Canada exports 80 per cent of its products duty free to the United States, that there is still a high level of unemployment in Canada and that a trade agreement by itself is, therefore, unlikely to do much to improve the Canadian situation.

C. **Mining**

The mining sector (i.e. excluding oil and gas) makes a major contribution to the Saskatchewan economy. In 1984, value of production was $1.9 billion or 13 per cent of provincial GDP. The sector provides direct employment for some 8,000 persons and provides indirect employment for some 15,000 more.

1. **Uranium**

   In 1985, the value of uranium production in Saskatchewan was approximately $450 million. Exports to the United States account for some 35 per cent of the value of production. Some 1,500 persons are directly employed in the industry and uranium generates nearly $200 million in provincial and municipal tax revenue a year.

   The Saskatchewan Mining Association, representing the producers, put forward two basic positions in relation to the bilateral trade talks: it is essential to retain the United States as a viable market for what is produced in Saskatchewan, and the rules for further processing that restrict international sales need to be reversed.

   The United States District Court (Denver) ruling to restrict the enrichment of foreign uranium destined for use in the U.S., and the proposed legislation in the United States to limit foreign uranium to 50 per cent in each reactor, could drastically limit uranium imports by the United States. Except in special circumstances, all Canadian uranium must now be shipped to Ontario for conversion from U308 (yellowcake) to UF6 (uranium hexafluoride) before it can be exported. This offers no benefit to Saskatchewan, but does make it more difficult for Saskatchewan producers to sell their product abroad. American users would like to see the further processing requirement in Canada eliminated. As a result, some of the submissions to the Commission suggested that the Canadian requirements for further processing requirements could be used as a bargaining tool in securing access to the American market for uranium.

The uranium producers supported the establishment of an international commission to deal with the problems of anti-dumping and countervailing action. In their view, the bilateral trade negotiations are essential to secure access to the market for uranium in the United States.

The United Steelworkers of America union, representing the employees of the uranium industry, argued that trade policy is only a small part of the comprehensive industrial strategy needed to deal with unemployment. The union suggested that Saskatchewan needs to protect its interests in uranium, but that a comprehensive trade agreement is not the way to do it. Instead, the union argued that an international board should be established to settle all trade disputes in a way which would be more effective than a bilateral trade agreement.

2. **Potash**

The value of potash production in Saskatchewan is about $650 million a year. Saskatchewan producers supply nearly 80 per cent of all imports of potash into the United States and that represents 60 per cent of Saskatchewan production. Thirty-five per cent of our production is sold into offshore markets, with only about five per cent of Saskatchewan production used domestically.

Potash producers argued for secure access to U.S. markets. Some called for an independent commission to deal with the requests for anti-dumping and countervailing duty actions which have become more frequent in the United States. All of them suggested there is a need to use the GATT as a mechanism for dealing with the problem of non-tariff barriers to trade. Employees were represented by the United Steelworkers of America and their comments on the bilateral trade talks were the same as those employed by that union in the uranium industry.

The Saskatchewan Potash Producers Association suggested there is a good deal of support in the United States for the Canadian producers of potash. For example, the American farmer wants to keep production costs as low as possible and fertilizer is a large component of those costs. Corn producers in the United States, particularly, support the Canadian position.

Secondary Industry

Generally, manufacturers in Saskatchewan favour bilateral trade negotiations with the United States. Major exceptions are to be found in the brewing industry, which operates in an environment that is controlled by government regulations, and in parts of the processing industry where the comments on the negotiations varied. Only the steel products industry had labour representation in the briefs submitted from this sector; the rest were represented by producers. Taken together, the briefs from secondary industries made the following specific points.

The liberalization of trade with the United States will speed up the restructuring needed in a number of manufacturing sectors in Canada as producers try to meet increased competition in the global economy. Bilateral negotiations that lead to liberalized trade between Canada and the United States would tend to reduce the cost of imports to Saskatchewan manufacturers and would indirectly benefit producers in the resource industries, particularly mining, pulp and paper. An agreement between Canada and the United States, it was argued, would have to include adjustment policies in Canada.

A. **Manufacturing Related to Agriculture**

1. **Agricultural Implements**

The Saskatchewan farm implement industry employs about 3,000 persons. It is innovative and aggressive. Approximately 20 per cent of the annual total sales of $182 million goes to the United States. One firm believes it has the potential to sell 50 per cent of its products in the United States. Some of the producers also sell in Australia and France and the multilateral trade negotiations, therefore, were seen as a means of reducing tariffs on manufactured goods going to those markets.

All of the submissions from this sector wanted to maintain the free trade environment that presently exists between Canada and the United States in these products. They argued for the elimination of non-tariff barriers that exist, such as the restriction that the Americans have put on the free movement of employees of Canadian companies across the border to do warranty work on Canadian products sold into the United States. They expressed displeasure, also, at the proposed closing of the small border crossings into the United States and pointed out that this would mean substantial increases in the costs of transporting their products to the American market.

2. **Agricultural Chemicals**

   The producers of agricultural chemicals also supported the call for free trade, especially for chemicals for crop protection. At present, there are no tariffs on chemicals that enter Canada from the United States, but there are on chemicals that go from Canada to the United States. If these were removed, it was argued, there could be an agro-chemical industry in Canada that was "world-scale".

3. **Feed Manufacturers**

   The manufacture of feed in Saskatchewan is an $8.4 million industry employing 480 persons. It is a service industry for the production of livestock and poultry. The submission from these producers argued they would lose some 25 per cent of their market if the poultry industry in Saskatchewan disappeared under a comprehensive free trade agreement with the United States, although there would be growth in their market to partially offset this if the agreement led to increases in the production of Saskatchewan livestock and hogs. If the agreement leads to a reduction in corn and soya bean tariffs, feed costs in Saskatchewan could fall. It would be reasonable to expect that an agreement could provide the means to harmonize the drug testing rules and standards in the two countries.

4. **Meat Processing**

   Intercontinental Packers argued the Canada-U.S. bilateral trade negotiations are critical for securing access to the American market and for forestalling any countervailing duties that might be levied by the Americans against pork products. It was pointed out that a significant increase in employment in the sector was possible if there was increased hog production in Saskatchewan. There is the potential for some $100 million of new exports to the U.S. and additional jobs for 1,400 in the manufacture of the products of this industry.

5. **Poultry Processing**

   Poultry processing is a $50 million industry which employs 250 persons in Saskatchewan. The industry brief argued that if the supply management system under which it now operates were eliminated under a bilateral trade agreement, the poultry processing industry in Saskatchewan would probably disappear. Any rationalization of the industry would probably occur in Alberta, which is well-positioned to expand the processing of poultry in Western Canada.

6. **Dairy Processing**

   Nearly a thousand employees are involved in the processing and distribution of dairy products valued annually at $175 million in Saskatchewan. According to the representatives of this industry, there is the potential for a viable dairy industry in Canada in an unregulated environment if there were time and assistance available for adjustment and rationalization of the industry that would be required. Freer trade with the United States is not realistic for this industry, it was argued, because of the high costs imposed by a system of government regulations. More funds for research and development would be needed to increase productivity in the industry if producers were required to compete in a larger market than the one in Saskatchewan. Industry spokesmen believe that the adjustments could be made well enough. An increase in the quota for Saskatchewan would allow producers to develop a specialty cheese market in the province.

7. **Food Processing**

   Sid's Sunflower Seeds Ltd. pointed out that most Saskatchewan food processors do not operate in international markets. It is believed that most food processors are opposed to freer trade with the United States because the relatively small-scale Saskatchewan operations cannot compete with the large-scale American firms. Higher wages, taxes, input costs and transportation costs in Saskatchewan are also factors making some processors noncompetitive.

8. **Brewing Industry**

   The Saskatchewan brewing industry directly employs about 300 persons. The market in North America is static. Government regulations and controls, designed to maintain local brewing capacity, have created a Canadian brewing industry with 40 local breweries that cannot compete with their comparatively larger American counterparts. The net result of these interprovincial barriers to trade in Canada is that high cost producers exist throughout the country. The surplus capacity that exists in the American brewing industry alone can supply three times what is required to supply the Canadian market.

   According to the Saskatchewan Brewery Association, the cost of malt barley in Canada is about four times what it is in the United States. The brewing industry questioned the desirability of the Canadian Wheat Board having control over the marketing and pricing of barley. It is not clear whether

Saskatchewan would retain a brewing industry if there were free trade in beer between Canada and the United States, or even interprovincially within Canada. It was argued that a viable industry, in either case, would require access to non-reusable containers (cans) and a more efficient distribution system.

B. **Advanced Technology**

There are over 100 companies producing products of advanced technology in Saskatchewan; 35 of which are major players. The firms in the province are small, innovative and responsive to developments in the market. They are becoming sufficiently specialized that they now require access to a larger market. Therefore, they want access to government procurement opportunities in the United States.

Submissions from representatives in this industry favoured participation by Saskatchewan and Canada in the bilateral trade negotiations, and drew attention to a number of questions that must be raised in the context of the negotiations.

De-regulation of the Canadian telecommunications industry would be a first step to making smaller, innovative Canadian firms more competitive and more capable of succeeding in international markets. The Buy America and preferential state procurement policies in the United States, particularly relating to American defence contracts, needs to be altered. Non-tariff barriers which affect the advanced technology industry include the unwillingness of the U.S. Department of Agriculture to accept Canadian product testing that is accepted by Agriculture Canada, and a number of rules that are applied in the U.S. for restricting the importation of products. In effect, this prevents the development of veterinary biologics in Saskatchewan.

Start-up grants, Federal Industrial Research Assistance Program (IRAP), government support of university applied research and educational programs for developing marketing and management skills were mentioned as important supports for the growth of small advanced technology firms in Saskatchewan. The existence of jobs in this sector of the Saskatchewan economy depends directly on continued access to foreign markets.

According to submissions, maintaining and enhancing access to American markets, along with a reduction in both Canadian and American non-tariff barriers to trade, are the issues that most need to be dealt with in the bilateral trade negotiations.

C. **Steel Products**

The value of steel products produced by IPSCO is more than $300 million annually, 13 per cent of which is exported into the United States. IPSCO regards freer trade as an opportunity to increase exports to the U.S. from the Saskatchewan-based plant by 100 per cent, and in turn, would increase employment which is currently at one-third of its full potential. The producers strongly believe that steel products can be produced in Saskatchewan to compete effectively in American markets, because there is a modern process here and the company produces specialty products not produced by others in North America. Further, Saskatchewan is close to a market of 10 U.S. states comprising 20 million people. Secure access to the American market is required for the industry to commit resources and undertake the kind of investment required to expand production. This industry continues to face countervailing and anti-dumping duties in the United States.

Employees in the industry, represented by the United Steelworkers of America, expressed concern about negotiating a freer trade arrangement with the United States. They believed a bilateral agreement will do nothing to enhance the prospects for job opportunities in the industry. Rather, they preferred an overall industrial strategy with trade policy as one element in order to effectively deal with job creation.

Services

The service sector had limited representation in the consultations relative to its size and diversity. For example, there was no representation from banking, life insurance, the legal profession, accounting, real estate, the wholesale trade, the travel and accommodations industry. The subject of trade rules for services is new in international trading arrangements and, therefore, only recently have studies been undertaken in this area. Tradeable services have not been clearly identified. From some parts of the sector there was producer representation only; from other parts, employee representation only.

Most of the submissions argued against proceeding with the comprehensive bilateral trade negotiations. Even those who were in favour of proceeding argued that a number of questions had to be addressed before an agreement could be finalized. Some employers first wanted the freedom to do business on an interprovincial basis; when the adjustments to that were complete, it would then, they argued, be possible for the industry to compete with their counterparts in the United States. Other employers argued the standards of performance applied in Canada

should be retained and, if they were, Saskatchewan producers would welcome competition from American firms. One of the associations argued there should be free competition but, all things being equal such as costs, technical skills and experience, local firms should be given priority in the awarding of contracts. The same association argued for the free flow of services across the Canadian-American border as a means of acquiring the skills that are not available locally, and providing opportunities for local people with skills which are internationally competitive. There was no consensus among employers in this sector whether services should be negotiated on a sector-by-sector basis or be dealt with in a comprehensive framework in which all services are considered.

The labour organizations that represented employees were opposed to the continuation of the bilateral trade negotiations. Briefs were sceptical that the Canadian cultural identity could be retained, and they argued that there would be a decline in the services offered by various levels of government in Canada. Governments would be under pressure to privatize government services and reduce wages and benefits to the levels in many parts of the United States.

A. **Computer Software**

Producers of computer software argued that a free trade environment with the U.S. is important if a market niche large enough to employ the specialists needed in the industry is to be developed. The market in the United States is an important first step in the global marketing strategy which is characteristic of this industry.

B. **Oilfield Services Industry**

There was strong support for the bilateral trade negotiations from the producers in this industry. The Petroleum Services Association of Canada cited a number of non-tariff barriers. They included the Buy America provisions, countervailing and anti-dumping actions, immigration restrictions, lack of harmony between the two countries on questions of construction and material codes, and inconsistent border rules.

The benefits of freer trade include:

- access to technological advances which allow firms to remain competitive;
- improved product development by opening up increased markets for Canadian manufacturers of oilfield goods;
- participation in large packages of oil equipment assembled for lucrative U.S. export markets to third countries.

It may not be possible for small Canadian companies to compete with the large number of American competitors in this industry, but the Association pointed out that there were also opportunities in international markets in China, the Soviet Union and India for Canadian companies.

C. **Trucking**

There are 1,300 truck operators in Saskatchewan employing about 10,000 persons. If freer trade is inevitable, the Saskatchewan Truckers Association would first like time to adjust to the de-regulation of trucking within Canada which is to be completed by the end of the decade. The industry feels it may, by then, be in a position to compete with its American counterpart. At present, the industry in the U.S. is more competitive than in Canada. One of the important things that should be recognized in the bilateral trade talks, according to the Association, is that Canada should make a concerted effort to maintain and enforce the higher safety standards that characterize Canadian trucking.

D. **Construction**

The construction industry in Saskatchewan produces five per cent of the provincial GDP and directly employs 24,000 persons. The Saskatchewan Construction Association strongly supported freer trade with the United States because of the potential for increased investment and more construction activity in the province. The industry in Saskatchewan relies heavily on public sector capital programs. There is a strong belief in the industry that builders can compete effectively when bidding in the United States.

E. **Consulting Engineers**

The Association of Consulting Engineers suggested that only a small number of consulting engineers in Saskatchewan do business outside the province, and they experience few problems in working in the United States. There is considerable expertise in Saskatchewan in the areas of potash mining, enhanced oil recovery techniques, fibre optics, irrigation techniques and transportation in remote areas. Consulting engineers believe that government and industry should, all things being equal, choose local firms for local projects. However, they recognize the importance of both importing and exporting expertise. Government procurement practices are very important to the viability of this sector of the Saskatchewan economy.

F. **Property and Casualty Insurance Agents**

There are about 2,500 licensed property and casualty insurance agents in Saskatchewan, handling a premium volume of $200 million a year. The Insurance Association of Saskatchewan expressed concern that a comprehensive free trade agreement with the United States might allow less financially stable American firms into the Saskatchewan market; this could adversely affect consumers, the independent agents and the government. The agents in Saskatchewan welcomed the competition that could come from outside the province, but only if Canada's strict rules and regulations are applied to American firms that enter the market.

G. **Cultural Industries**

This sector of the economy consists of sound recording, film and video production, printing and publishing, performing and fine arts, crafts, museums, heritage, writing, radio, music and television. According to the information presented, there are some 10,000 persons employed in cultural activities in Saskatchewan, together contributing five per cent of the provincial GDP.

Both the cultural organizations and labour groups who presented briefs to the Commission argued that the industry is highly dependent on government support. Without this protection, they argued, Canada will be overtaken by American culture. They argued, too, that the regional publishing industry in Canada would disappear in an environment of free trade. Any reduction in the funds that are available or any reduction in protection to a small part of this industry, it was claimed, could have serious ramifications for the entire industry because the parts of the cultural industry are interdependent. Most of these submissions argued strongly that culture should not be looked upon as a commodity in Canada, as it is in the United States. Our concept of culture is different from that in the U.S. and Canadians should not be forced to alter their culture to accommodate the way the Americans do business.

H. **Retail Trade**

It was clear that people in the industry believed there would be a benefit from lower tariffs on consumer goods if there was a bilateral trade agreement with the United States. They believed that greater selection and lower cost of goods available to consumers would result in an increase in retail activity.

I. **Telecommunications**

The Communications and Electrical Workers of Canada were opposed to any trade negotiations dealing with telecommunications. They believed our system of telecommunications would be adversely affected by increased competition from American firms. In particular, employment opportunities, they argued, would decline in an environment of freer trade. There were no submissions to the Commission from the employers in the telecommunications industry.

J. **Public Services**

All of the briefs from this sector came from the employees, who argued that a bilateral trade agreement with the U.S. would lead to a decline in public services. According to them, a large number of public sector jobs would be lost because an agreement would mean public services would be contracted out to the private sector following the U.S. approach. The costs of health care would increase while quality would deteriorate, it was argued. Wages and benefits for the workers in the public sector of the province would, they said, be reduced in response to pressure for Canadian employees to accept inferior terms and conditions of employment similar to those in many parts of the United States.

Individuals

Some individuals from the academic community presented their views on the trade negotiations. They focussed on different subjects and, as a result, their views differed on benefits of a trade agreement.

One brief argued that the bilateral trade negotiations would be of little use to Saskatchewan unless the U.S. 1985 Farm Bill was open for discussion. To that end, therefore, Saskatchewan should lobby hard in Washington and Ottawa to ensure that there would be negotiations related to the Bill. This brief gave evidence that the Bill is costing Saskatchewan farmers anywhere between $500 million and $1.5 billion annually.

Another brief suggested it was essential to maintain a positive trading relationship with the United States. It argued it would be difficult for Canadians to withdraw from the American market and to diversify their exports to other countries.

Doubts were expressed in another brief that Canada could negotiate a mutually beneficial package with the U.S., because the protectionist mood of Congress is so strong. Congress is unlikely, it argued, to exempt Canada from the American trade remedy laws. It was pointed out that the U.S. retained its trade remedy laws even when the U.S./Israel Free Trade Agreement was finalized.

Organizations

A. Labour

The Saskatchewan Federation of Labour represents over 80,000 employees and expressed the concerns of unionized labour as a whole. The brief was opposed to any comprehensive trading arrangement with the United States. For the Federation, such an arrangement meant trading from a "level playing field" which means adjusting Canada's political, economic, social, cultural and taxation policies to conform with those in the United States. The implications of doing this, the Federation argued, would be:

- loss of jobs and lower wages and benefits to the levels of the American southern states
- closure of American branch plants
- a Canadian market flooded with cheap American imports
- lowered labour and safety standards
- reduced Canadian environmental standards
- lowered levels of government services (especially those related to health and social programs)
- privatized government services
- de-regulated transportation and telecommunications
- reduced public support for cultural industries.

The Federation advocated a managed national economic development strategy for Canada to reduce Canada's dependence on the U.S. and to develop Canadian trade with other countries. Rather than negotiating a comprehensive bilateral agreement with the U.S., the Federation would support the idea of managed sectoral arrangements similar to the Auto Pact.

B. Local Governments

The representatives from both the Rural and Urban Municipalities Associations had not yet undertaken research on the question of how local government areas in Saskatchewan would be affected by negotiated freer trade with the United States. They did, however, express their concern that agriculture could be adversely affected. In particular, they argued that the rural fabric of Saskatchewan would be damaged if agriculture was weakened in any way, and that a decline of the family farm would result in the disappearance of smaller towns and the services they provide.

C. Consumers

The Consumers Association of Canada suggested a bilateral agreement would benefit consumers by reducing the cost of goods and services. The standard of living would also rise because consumers would have access to a wider choice of lower cost goods. It was argued that it was important for Canadians to insist on retaining the higher standards of health, safety and product testing which they have and not giving these up in a bilateral trading agreement with the United States.

D. Business

The Saskatchewan Chamber of Commerce strongly supported the continuation of bilateral trade negotiations. An agreement would, it argued, be an opportunity for economic growth. The Chamber favoured examining the present system of subsidies and argued there are now too many subsidies for strong regional and industrial development in Canada. It was argued that businesses must learn to depend less on government grants and other subsidies, and that few highly subsidized industries survive in the long run. Moreover, the Chamber argued, sovereignty is really not an issue; Canadians will eventually lose their sovereignty anyway if the present environment of protectionism in the United States goes unchallenged. In essence, no sovereignty exists where a nation has a weak economy while a growing, vibrant economy strengthens sovereignty.

The Canadian Federation of Independent Business showed, through a poll, the small business sector in Saskatchewan believes more strongly than the business sector of any other province that lower trade barriers with the U.S. would have a positive effect on small businesses.

The brief from the Saskatchewan Indian Agricultural Program suggested, as a gesture of goodwill, Canada should execute the Jay Treaty, which permits the free passage of Indian persons and goods between Canada and the United States. The Jay Treaty was contracted between the British Sovereign and the U.S. Government in 1794 and recognizes the traditional free movement in North America of Indian people and their goods. Today, American law allows the free passage across the American border of Canadians of at least half Indian ancestry, but Canada has not reciprocated.

E. Women

Both the Saskatchewan Advisory Council on the Status of Women and the Saskatchewan Action Committee on the Status of Women were opposed to further bilateral trade discussions with the United States. They argued the sectors in which women are usually employed would be adversely affected under a free trade agreement. There would be a loss of jobs for women as women

often have little seniority and are heavily represented in temporary or part-time jobs. They also expressed the view that social programs and Canadian identity would be lost. They suggested that Canada should concentrate on diversifying its export markets and that current problems with the American markets must not interfere with developing more international markets.

F. **Citizen Groups**

Both the Citizens Concerned about Free Trade and the Council of Canadians expressed their concern about the future viability of our agricultural industry in an environment of freer trade. They argued industries under supply management schemes such as poultry, dairy and eggs would be adversely affected. Concern was raised about the survival of the Canadian Wheat Board and the family farm.

Both of these groups argued there would be a loss of political, social and cultural sovereignty and they suggested there is a need for a nationalistic economic policy as a means of retaining what Canadians have in terms of economic sovereignty. In the view of these groups, a free trade agreement with the United States would encourage further foreign ownership and domination of the Canadian economy by U.S. multinationals. They believe that the U.S. will continue to act unilaterally in their own interests even if a bilateral agreement with Canada is signed.

G. **Research Groups**

The Canada West Foundation argued the trade negotiations are a major opportunity for Western Canada because resource industries will benefit from long-term secure access to markets in the United States. The Foundation did not believe that culture is an issue in the debate because, it argued, if our culture is so weak that it must be protected, it will not survive in any case.

The Foundation believed the service sector in Saskatchewan would generally not be affected by a bilateral trade agreement as most services are location-specific and not tradeable. The indirect effects of free trade could be positive for the service sector, claimed the Foundation, because services tend to be complementary to, or be enhanced by, activity related to goods that are traded. In any event, they said, free trade in services will be difficult to achieve because of the existence of the non-tariff barriers such as immigration regulations, investment regulations, professional standards and other licensing regulations.

Specific Observations

In reviewing the public consultations, the Commissioners identified several specific observations that applied generally to the discussions.

Competitiveness of Saskatchewan Producers

Most Saskatchewan producers believe they are competitive and can hold their own in international markets. This view came from many parts of the Saskatchewan economy: oilseeds; livestock; potash; uranium; forestry; manufacturing (including farm implements, meat packing, steel products, and high tech products), and service industries, such as consulting engineering and computer software.

These sectors drew attention to the size of the market in the American mid-west and western states, and the advantages that Saskatchewan producers have to access these markets because of their proximity, transporting goods on a north-south axis. Saskatchewan producers want to sell into international markets, particularly if there is fair trade in the marketplace. According to many, emphasis on aggressive marketing and market development is the key to success for Saskatchewan producers, regardless of the final outcome of the Canada-U.S. trade talks.

There was consensus that government-regulated industries, including the supply-managed industries, would not in their present form be able to compete with producers in the United States. These include the poultry, egg and dairy industries as well as the brewing industry. These industries are composed of small-scale, high-cost producers who supply local markets. Production and job losses would be substantial, it was argued, if import restrictions were removed. A period of adjustment for the rationalization and restructuring of the industries, and for the development of government assistance programs, would be required before producers could compete with their American counterparts.

One Saskatchewan food processor believed that the relatively small-scale Saskatchewan producers could not compete with their large-scale American counterparts regardless of what restructuring or adjustments may occur.

Some producers were uncertain whether they could remain competitive if the Canadian dollar were to appreciate significantly relative to the U.S. dollar. While noting exchange rates were not on the table in the Canada-U.S. negotiations, several cited the current exchange rate as a significant factor contributing to Canada's favourable balance in merchandise trade with the United States.

Labour representatives and citizen groups believed Canada would lose jobs and wages would be lowered, because cheaper American imports could serve the entire Canadian market under a free trade agreement.

U.S. Contingency Protection Measures Threaten Saskatchewan's Exports

Producers, except for those who operate under government regulations and restrictions, argued in favour of Canadian participation in the negotiations. They observed that practically every one of our major exports to the United States is being subjected to the threat of some kind of trade restriction. In general, they wanted relief from the non-tariff barriers which have plagued their exports in recent years, and from the uncertainty of increased protectionism in the United States. They wanted relief from the high cost of fighting countervailing duty and anti-dumping actions in the United States.

However, there was scepticism expressed about Canada's bargaining power in view of the relative difference in economic and political power between the two countries. There was concern the United States Congress jealously guards its role in the development of trade policy and it would be unlikely, given its current protectionist mood, to exempt Canada from its trade remedy laws.

Need for a More Objective Dispute Settlement Mechanism

Under current U.S. trade laws, American firms can readily file a petition for various forms of contingency protection on the grounds that imports are causing injury. Assessments and findings on the petition are conducted by the Department of Commerce and by the International Trade Commission in that country. The process is one-sided because the American investigators assess only Canadian practices. The Canadian industry or company being investigated is not allowed the opportunity to compare practices in the two countries; that is, a "one-eyed referee" is used in the United States to apply trade restrictions. In several briefs, it was argued that this "one-eyed referee" should be replaced by some form of joint commission which would review trade disputes according to a set of predictable and certain rules.

Economic Relationship with the United States

Most producers and business organizations, such as the Chamber of Commerce and the Canadian Manufacturers' Association, stressed the importance of gaining and securing access to the U.S. market in order to protect jobs and increase job opportunities. It was noted that Canada-U.S. annual trade of $160 billion is the largest bilateral trade relationship in the world. About 80 per cent of Canada's exports, and almost 50 per cent of Saskatchewan's exports, are to the United States. Next year, 65 per cent of all U.S. exports to Canada will enter duty free, and close to 90 per cent could enter with tariffs of less than five per cent. Eighty per cent of Canadian exports to the U.S. will enter tariff free. However, the increasing use of non-tariff barriers could distort this trade flow.

Widespread apprehension was expressed as to whether Canadians could retain control over their domestic economy under a comprehensive bilateral trade agreement. Some briefs mentioned the already high degree of foreign domination of the Canadian economy and forecast the closing of U.S. branch plants in Canada and loss of jobs under a comprehensive trade agreement. They feared that Canadian economic, foreign, environmental, social and cultural policies would have to be harmonized with U.S. policies. On the other hand, some groups said Canada's sovereignty would be weakened if the current protectionist trading environment goes unchallenged and access to U.S. markets is effectively closed. It was pointed out by the Commissioners that the Prime Minister has assured that Canada's capacity for cultural, social and regional economic development would not be impaired by any Canada-U.S. comprehensive trade agreement.

Several groups urged a reduction in Canadian dependency on U.S. markets and the search for more off-shore markets. They further advised that priority should be placed on the multilateral trade negotiations under GATT. Others contended that the multilateral trade negotiations will take four to seven years to conclude, and they see the "fast-track" process of the Canada-U.S. talks reinforcing the multilateral trade negotiations. They argued a Canada-U.S. agreement could serve as a model and a common approach for the multilateral negotiations.

Consumer Benefits

Consumer benefits of reduced costs and wider choice of goods and services were overlooked by most groups - reduced costs through lower costs of imports which are either consumed directly or used in the Canadian production of goods and services. At the same time, improved access to the U.S. market would permit larger-scale production of goods which would reduce unit costs of goods consumed domestically.

Consumer groups felt the standard of living would rise under a trade agreement. Labour representatives contended that loss of jobs and lower wages would far outweigh any benefits from any reduced cost of goods and services.

Product Standards and Testing

In several briefs it was argued the regulatory activities in the two countries - such as the testing of chemicals or the application of health standards and standards on packaging, sizing and safety - could be coordinated in order to avoid waste and duplication.

Several briefs identified instances where technical barriers were used to restrict Canadian exports to the United States. They supported any trade agreement which would simplify and harmonize technical standards and testing procedures and eliminate those technical standards and procedures that are thinly disguised barriers to trade. However, concerns were also expressed that Canadian health, safety and environmental standards may be lowered to the level of the U.S. standards.

Conclusions

The Commissioners identified several broadly-held views that emerged throughout the consultations. They appeared in various forms and were articulated in a variety of ways but were present at almost every session. They arose regardless of whether a brief presented a case for or against the continuation of the bilateral trade negotiations with the United States.

Importance of International Trade to Saskatchewan

There was a consensus that trade and effective trade policy are vital to continued economic growth in Saskatchewan and in Canada. In many briefs, it was pointed out Saskatchewan had a greater stake than other provinces in Canada in international trade because of the importance of export markets to the production of agricultural commodities and to the development of resources. There was general recognition that our standard of living is dependent on secure and enhanced access of our goods and services to world markets. Structural changes and adjustments are already taking place in the Canadian economy. These changes must be made in order for Canada and Saskatchewan to remain internationally competitive in a changing world environment. We must recognize that major economic changes have occurred and will continue to occur in the future regardless of the scope and details of any trade agreement with the United States.

At the same time, it was recognized that the present trading environment is much less than ideal because of the protectionist mood that exists among specific industries and in the Congress in the United States. Labour representatives urged trade policy and trade negotiations form part of a comprehensive national industrial development strategy. In several briefs, it was suggested that Canada should be looking beyond the United States to the global trading environment and placing priority on the multilateral trade negotiations that are being conducted under GATT.

Employment

In the opinion of many, the fundamental issue in the negotiations with the United States was the question of job opportunities. Several argued it was necessary for Canadian producers to have more predictable and clearly-defined rules governing trade in goods and services, and to have access to a large market for their products in order to maintain existing jobs, to generate new jobs and to undertake investment expenditures. This is illustrated by the fact that Canada is one of only two advanced countries in the world without secure access to an internal market of at least 100 million people.

The briefs presented by most industry officials conveyed optimism about the ability of Saskatchewan producers to compete with producers in the United States. Labour, many of the non-industry organizations and some producer groups, particularly those which are government-regulated, expressed a pessimistic view of the economic prospects in Canada under a bilateral trade agreement with consequent job losses and lower wages and benefits.

Scope of Canada-United States Bilateral Trade Negotiations

The Commissioners observed that the national goals for the Canada-U.S. trade negotiations had not been clearly articulated. There was a good deal of confusion about what was meant by the terms free trade, freer trade, fair trade, liberalized trade, enhanced trade and managed trade. There were differences of opinion over the proper definition of the terms and there was a good deal of confusion over which term should be used in the context of the Canada-U.S. negotiations.

The variety of views can be illustrated by the extremes. One point of view was that a comprehensive trade agreement could amount to total economic and political union of the two countries. In the end, it was argued, there would be complete harmonization of economic and

social programs, homogenization of culture and the establishment of the lowest common denominator in health, environmental and safety standards. Canada would, in effect, become the 51st state of the United States. At the other extreme, the view was that trading agreements should be negotiated on a sector-by-sector basis, eliminating the need for a comprehensive agreement. However, a less extreme view expressed by many was that an agreement should be reached in which the rules of the game between the two countries are clarified and made more predictable and in which a joint international trade tribunal is established to resolve disputes.

In most briefs, even those favouring freer trade, there was an appeal for a better understanding of what is and what is not on the negotiating table. Some suggested that if this had been known, many of the briefs might have had a more positive outlook on the Canada-U.S. negotiations.

Canadian Social and Cultural Sovereignty

Briefs consistently expressed concern about the implications of the bilateral negotiations for Canadian sovereignty and for Canadian social and cultural institutions and programs.

Everyone agreed that social programs such as medicare and unemployment insurance should not be on the negotiating table. Concern was expressed that Canada's universal social programs would be viewed by the U.S. as subsidies to Canadian producers, or that Canadian rates of taxation and the financing of social programs would have to be lowered in order for Canadian producers to compete with U.S. producers in a free and unrestricted North American market.

Similar concerns were voiced that a Canada-U.S. agreement would result in a loss of Canada's cultural identity through reduced government support and protection of our unique cultural institutions, organizations, industries and activities. It was argued that, unless these special forms of support and protection are maintained, Canada would be overtaken by U.S. culture which is based on the fundamentally different "melting pot" philosophy and which Americans view as a tradeable commodity.

The Prime Minister, as well as Canada's Chief Negotiator, have publicly stated that Canada's capacity to promote social and cultural development is not negotiable. However, statements by the U.S. negotiator and by opponents of a Canada-U.S. trade agreement raise concerns as to what is and what is not on the negotiating table.

Institutions

In several briefs, concern was expressed about whether Canadian institutions would survive. It was argued, for example, that institutions like the supply management systems, marketing boards and the Canadian Wheat Board would have to be bargained away. For the most part, they have served Canadians well and the fact that they are not "the American way" of doing business, it was argued, does not mean that they should be eliminated. It was pointed out that institutions like the Wheat Board and the Saskatchewan Pork Producers Marketing Board do not in any way distort trade. The briefs from agricultural representatives, in particular, expressed concerns about the possibility these institutions would be lost. In most submissions to the Commission, the view was expressed that Canadian institutions should be retained through any negotiations with the United States, even though in a few briefs it was agreed there was room for some adjustments to be made within these institutions, or alterations in the role they could play in the future.

Interprovincial Trade Barriers

In briefs from exporters and importers, the problem of interprovincial trade barriers within Canada was raised. It was argued that the problems these barriers present must also be addressed in the context of the trade negotiations with United States. Government procurement practices, interprovincial trucking regulations, Liquor Board practices and provincial regulations in many other forms, all provide barriers to the free flow of goods within our own country. They were cited frequently as a cause for the higher costs of production in Canada, inhibiting the development of Canada's comparative advantage in international trade.

Concluding Comments

The Public Consultations program was an important mechanism for increasing the awareness of the people of Saskatchewan about issues surrounding the current trade negotiations with the United States and the future direction of trading arrangements between our two countries. It also brought into focus the current round of GATT negotiations.

The Consultations exposed a lack of understanding and appreciation of the trends, structural changes, and problems occurring in Canada's trading relationships with the United States and other countries.

The Consultations confirmed that individuals and industries in Saskatchewan, particularly in the agriculture and resource sectors, recognize the

threat to their business created by American protectionism. However, it was also clear that there was no consensus on a solution.

The Consultations showed, too, that many of Saskatchewan's smaller industries and businesses are unaware of opportunities in the international marketplace for expansion and growth. In many cases, they do not have the capital to do the market research and development required to take advantage of these opportunities.

The Commissioners believe the underlying message contained in the briefs presented was that trade is the cornerstone of economic growth and prosperity of Saskatchewan. We urge all those involved in the policy decision-making process not to lose sight of the fundamental objective of securing and enhancing our access to U.S. and offshore markets while attempting to resolve the conflicting interests and concerns of various segments of Canadian society.

Finally, it was apparent that much of the hesitation among Canadians to support the trade initiative is based on a fear of the unknown. This problem must be addressed if new trade policies are to be endorsed and broadly accepted by Canadians. It was clear from the public consultations that every effort should be made by governments at all levels to encourage and support continuing public awareness and discussion on the trade negotiations now in progress. The goal should be to increase public awareness of the opportunities and implications of any new trading arrangements which will build our export-based economy.

Appendix I

Public Consultations Schedule

Prince Albert

August 6:
- Weyerhaeuser Canada Ltd.
- Saskatchewan Council of Independent Forest Industries

August 7:
- Saskatchewan Forestry Association
- International Woodworkers of America
- Canadian Paperworkers Union

Yorkton

August 13:
- Prairie Implement Manufacturers Association and Morris Rodweeder Ltd.
- Plains Poultry Ltd.

Swift Current

August 14:
- Saskatchewan Stockgrowers Association
- Canadian Western Agribition
- Saskatchewan Egg Producers Marketing Board

Saskatoon

August 19:
- BDM Information Systems
- Petroleum Services Association of Canada
- SED Systems
- Saskatchewan Advanced Technology Management Association
- Biostar
- Professor A. Schmitz, University of Saskatchewan

August 20:
- Canada West Foundation
- Consumers Association of Saskatchewan
- United Steelworkers of America
- Canadian Union of Public Employees
- Saskatchewan Feed Manufacturers Association
- Saskatchewan Pork Producers Marketing Board
- Citizens Concerned About Free Trade

August 21:
- Saskatchewan Mining Association
- Saskatchewan Potash Producers Association
- Kalium Chemicals
- Flexi-Coil
- Council of Canadians
- National Farmers Union

August 22:
- Intercontinental Packers
- Insurance Agents Association of Saskatchewan
- Saskatchewan Trucking Association
- Federated Cooperatives Ltd.

Regina

August 25:
- Saskatchewan Advisory Council on the Status of Women
- Saskatchewan Chamber of Commerce
- Saskatchewan Association of Rural Municipalities
- Professor Ed Weymes, University of Regina

August 26:
- Canadian Manufacturing Association
- Saskatchewan Urban Municipalities Association
- Saskatchewan Construction Association
- Association of Consulting Engineers
- Saskatchewan Brewers Association
- Saskatchewan Council of Cultural Organizations

August 27:
- Saskatchewan Dairy Producers Cooperative
- IPSCO
- Saskatchewan Milk Producers
- ACTRA
- Public Service Alliance of Canada
- Family Farm Foundation

August 28:
- Western Canada Grain Growers Association
- Saskatchewan Wheat Pool
- United Grain Growers Ltd.
- Sid's Sunflower Seeds
- Saskatchewan Canola Growers Association

August 29:
- Saskatchewan Federation of Labour
- Saskatchewan Action Committee - Status of Women
- Saskatchewan Indian Agricultural Program
- Professor John Warnock, University of Regina

APPENDIX II

Briefs Submitted to Commissioners

Primary Industry

Agriculture

Grains and Oilseeds
Western Canadian Grain Growers Association
Saskatchewan Wheat Pool
United Grain Growers Ltd.
Saskatchewan Canola Growers Association

Livestock
Saskatchewan Stockgrowers Association
Canadian Western Agribition
Saskatchewan Pork Producers Marketing Board
Canadian Meat Council

Poultry and Eggs
Plains Poultry Ltd.
Saskatchewan Egg Producers Marketing Board

Dairy
Saskatchewan Dairy Producers Cooperative
Saskatchewan Milk Producers

Other
National Farmers Union - Region 6, District 6
Family Farm Foundation

Forestry

International Woodworkers of America
Canadian Paperworkers Union
Weyerhaeuser Canada Ltd.
Saskatchewan Council of Independent Forest Industries
Saskatchewan Forest Association
L&M Wood Products Ltd.
Silviba Services Ltd.

Mining

Uranium
Saskatchewan Mining Association

Potash
Saskatchewan Potash Producers Association
Kalium Chemicals

Secondary Industry

Agricultural Implements
Prairie Implement Manufacturers Association
Morris Rodweeder Ltd.
Flexi-Coil

Feed Manufacturers
Canadian Feed Manufacturers Association

Meat Processing
Intercontinental Packers

Food Processing
Sid's Sunflower Seeds

Brewing Industry
Saskatchewan Brewers Association

Advanced Technology
BDM Information Systems
SED Systems
Biostar
Saskatchewan Advanced Technology Management Association
D.G. Malcolm and Associates Ltd.

Steel Products
IPSCO
United Steelworkers of America

Other
Canadian Manufacturing Association
Del-Air Systems Ltd.
Federated Co-operatives Ltd.
Hoechst Canada Inc.

Services

Petroleum Services Association of Canada
Canadian Association of Oilwell Drilling Contractors
Saskatchewan Trucking Association
Saskatchewan Construction Association
Association of Consulting Engineers
Insurance Agents Association of Saskatchewan
Saskatchewan Council of Cultural Organizations
Saskatchewan Motion Picture Association
Grosvenor Fine Furniture Ltd.
Canadian Union of Public Employees
- Saskatchewan Division
- Local 1975
- Local 974

Saskatchewan Government Employees Union
Public Service Alliance of Canada
Alliance of Canadian Cinema, Television and Radio Artists
Communication and Electrical Workers of Canada

Individuals

Professor A. Schmitz, University of Saskatchewan
Professor Ed Weymes, University of Regina
Professor C.M. Williams, University of Saskatchewan
Professor John Warnock, University of Regina

Organizations

Labour

Saskatchewan Federation of Labour

Local Government

Saskatchewan Association of Rural Municipalities
Saskatchewan Urban Municipalities Association

Consumers

Consumers Association of Saskatchewan

Business

Saskatchewan Chamber of Commerce
Saskatoon Board of Trade
Canadian Federation of Independent Business
Saskatchewan Indian Agricultural Program

Women

Saskatchewan Advisory Council on the Status of Women
Saskatchewan Action Committee - Status of Women

Citizens Group

Citizens Concerned About Free Trade
Council of Canadians

Research Groups

Canada West Foundation